

Cap report

ME



annual report

J. HARRIS AND SONS, LIMITED

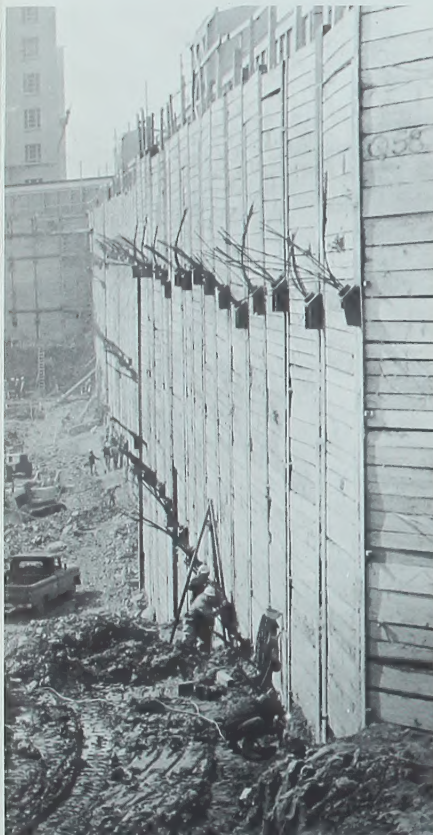


ANNUAL REPORT 1969
For the year ended
December 20, 1969

Financial Highlights

	1969 FISCAL YEAR	6 MONTHS DECEMBER 14 1968	1968 FISCAL YEAR
Gross Revenue ✓	\$13,669,552	\$6,080,032	\$8,437,453
*Net Earnings ✓	99,215	141,950	86,481
Per share ✓	.11	.18	✓ .11
Per share including under option	.11	.16	.11
Cash flow from operations ✓	364,389	311,279	168,310
Per share	.42	.39	.21
Per share including under option	.40	.36	.21
Working Capital	974,708	777,580	704,878
Shares Outstanding ✓	873,800	800,000	800,000
Shares Outstanding including under option	903,800	860,800	800,000

* Prior years restated to reflect income tax reassessments.



Tie-Back work at Four Seasons, Toronto

DIRECTORS

MONTE C. BEDER	Toronto, Ontario
J. JUDD BUCHANAN, M.P.	London, Ontario
MILTON E. HARRIS	Toronto, Ontario
SAM HARRIS	London, Ontario
EDWARD RICHMOND, Q.C.	London, Ontario
NATHAN L. SANDLER	Toronto, Ontario
SYDNEY H. VAISLER	London, Ontario

OFFICERS

SAM HARRIS	Chairman of the Board
MILTON E. HARRIS	President
JAMES WILSON	Vice-President Operations
EDWARD RICHMOND, Q.C.	Secretary-Treasurer

AUDITORS

Perlmutter, Orenstein, Giddens, Newman & Co.

SOLICITORS

Richmond, Richmond & Stambler

REGISTRAR AND TRANSFER AGENT

Guaranty Trust Company of Canada

BANKER

Canadian Imperial Bank of Commerce

EXECUTIVE OFFICES

5233 Dundas St. West, P.O. Box 127, Islington, Ontario

Plants, Divisions and Subsidiary Companies

REINFORCED CONCRETE

Fabrication and Erection	J. Harris and Sons, Limited
Saunders Form Hardware and Industrial Wire Products	Laurel Steel Products Limited
Concrete Post-tensioning	VSL Canada Limited

REAL ESTATE

J. Harris and Sons, Developments (Middlesex) Limited

Offices and/or plants in Toronto, Stoney Creek (Hamilton), Windsor, London, Port Arthur and other Ontario centres, and in Dartmouth, Nova Scotia

President's report to the shareholders of J. Harris and Sons Limited



It is with a great deal of optimism that we hereby present our annual report for the year ended December 20, 1969. This has been a year of great transition for our company and we are pleased to report a significant increase in cash flow per share, although earnings are somewhat below expectations.

We believe that the changes instituted in 1969 and nearing completion in the first half of the current year, will greatly improve the profitability of our operations. Our re-organization has consisted of tying up a lot of loose ends and concentrating on various operations under several distinct divisions.

The parent company, J. Harris & Sons Limited, is now solely responsible for the fabrication of reinforcing steel for concrete structures. It also rents steel floor forms for concrete floor slabs in new high-rise construction.

Laurel Steel Products Limited under the "Saunders" brand name, manufactures and markets steel wire supports for reinforcing steel in concrete structural components. Laurel also manufactures industrial wire products which are being marketed in both Canada and the U.S.

V.S.L. Canada Limited, engineers, supplies and erects a post-tensioning system for reinforcing concrete structures. Exclusive Canadian rights for this system have been obtained from the Losinger group of companies in Switzerland. To recapitulate, J. Harris & Sons Limited, V.S.L., and Laurel Steel Products, together comprise our reinforced concrete division.

Integration of management and marketing personnel should go a long way to reducing overhead in addition to enhancing market penetration. Unprofitable lines were dropped from the Saunders Form Hardware operation and liquidation of these inventories below cost substantially reduced 1969 earnings. However, putting the Saunders operation under the Laurel Steel structure had brought this segment of operations into the black by May 1969 and Laurel has made an excellent contribution to earnings for the year. V.S.L. Canada Limited was bought in September 1968, and last year the company made major break-throughs in acceptance of its post-tensioning system. Today many Ontario Depart-

ment of Highway bridge designs are utilizing this system and we anticipate expansion of production and earnings for this operation in 1970.

Our real estate division, under J. Harris & Sons Developments (Middlesex) Limited has had a good year despite the difficulties of operating under conditions of tight money and high interest rates. "Middlesex" built and sold six buildings during 1969, revenue from which was the major contribution to consolidated earnings for the parent company in 1969. Although we are still faced with the same monetary conditions, we now have a substantial "bank" of zoned land, a proven profit performance, and a record of consistently out-renting any competition in our operating areas. This year we are already erecting buildings in London while construction will soon start on others in Chatham, London and Sarnia. Your company will presently be embarking on an energetic marketing program to sell a new concept of condominium apartment homes in the \$14,000 to \$17,000 price level.

Last year operations were adversely affected by strikes, not only in the construction industry, but also among our various suppliers. In addition, we have a claim for approximately \$166,000 outstanding against one of these suppliers. This loss substantially reduced earnings in 1969, and we are confident that this will be recouped.

Looking ahead, the first half for any company specializing in the construction area cannot be all that promising due to concentration of activity during the summer months. Therefore, our first half will be no exception. However, we anticipate substantial improvement in the second half which should eventually result in earnings improvements for the 1970 fiscal year over the year just completed.

Milton E. Harris

Milton E. Harris
President

President's report to the shareholders of J. Harris and Sons Limited



It is with a great deal of optimism that we hereby present our annual report for the year ended December 20, 1969. This has been a year of great transition for our company and we are pleased to report a significant increase in cash flow per share, although earnings are somewhat below expectations.

We believe that the changes instituted in 1969 and nearing completion in the first half of the current year, will greatly improve the profitability of our operations. Our re-organization has consisted of tying up a lot of loose ends and concentrating on various operations under several distinct divisions.

The parent company, J. Harris & Sons Limited, is now solely responsible for the fabrication of reinforcing steel for concrete structures. It also rents steel floor forms for concrete floor slabs in new high-rise construction.

Laurel Steel Products Limited under the "Saunders" brand name, manufactures and markets steel wire supports for reinforcing steel in concrete structural components. Laurel also manufactures industrial wire products which are being marketed in both Canada and the U.S.

V.S.L. Canada Limited, engineers, supplies and erects a post-tensioning system for reinforcing concrete structures. Exclusive Canadian rights for this system have been obtained from the Losinger group of companies in Switzerland. To recapitulate, J. Harris & Sons Limited, V.S.L., and Laurel Steel Products, together comprise our reinforced concrete division.

Integration of management and marketing personnel should go a long way to reducing overhead in addition to enhancing market penetration. Unprofitable lines were dropped from the Saunders Form Hardware operation and liquidation of these inventories below cost substantially reduced 1969 earnings. However, putting the Saunders operation under the Laurel Steel structure had brought this segment of operations into the black by May 1969 and Laurel has made an excellent contribution to earnings for the year. V.S.L. Canada Limited was bought in September 1968, and last year the company made major break-throughs in acceptance of its post-tensioning system. Today many Ontario Depart-

ment of Highway bridge designs are utilizing this system and we anticipate expansion of production and earnings for this operation in 1970.

Our real estate division, under J. Harris & Sons Developments (Middlesex) Limited has had a good year despite the difficulties of operating under conditions of tight money and high interest rates. "Middlesex" built and sold six buildings during 1969, revenue from which was the major contribution to consolidated earnings for the parent company in 1969. Although we are still faced with the same monetary conditions, we now have a substantial "bank" of zoned land, a proven profit performance, and a record of consistently out-renting any competition in our operating areas. This year we are already erecting buildings in London while construction will soon start on others in Chatham, London and Sarnia. Your company will presently be embarking on an energetic marketing program to sell a new concept of condominium apartment homes in the \$14,000 to \$17,000 price level.

Last year operations were adversely affected by strikes, not only in the construction industry, but also among our various suppliers. In addition, we have a claim for approximately \$166,000 outstanding against one of these suppliers. This loss substantially reduced earnings in 1969, and we are confident that this will be recouped.

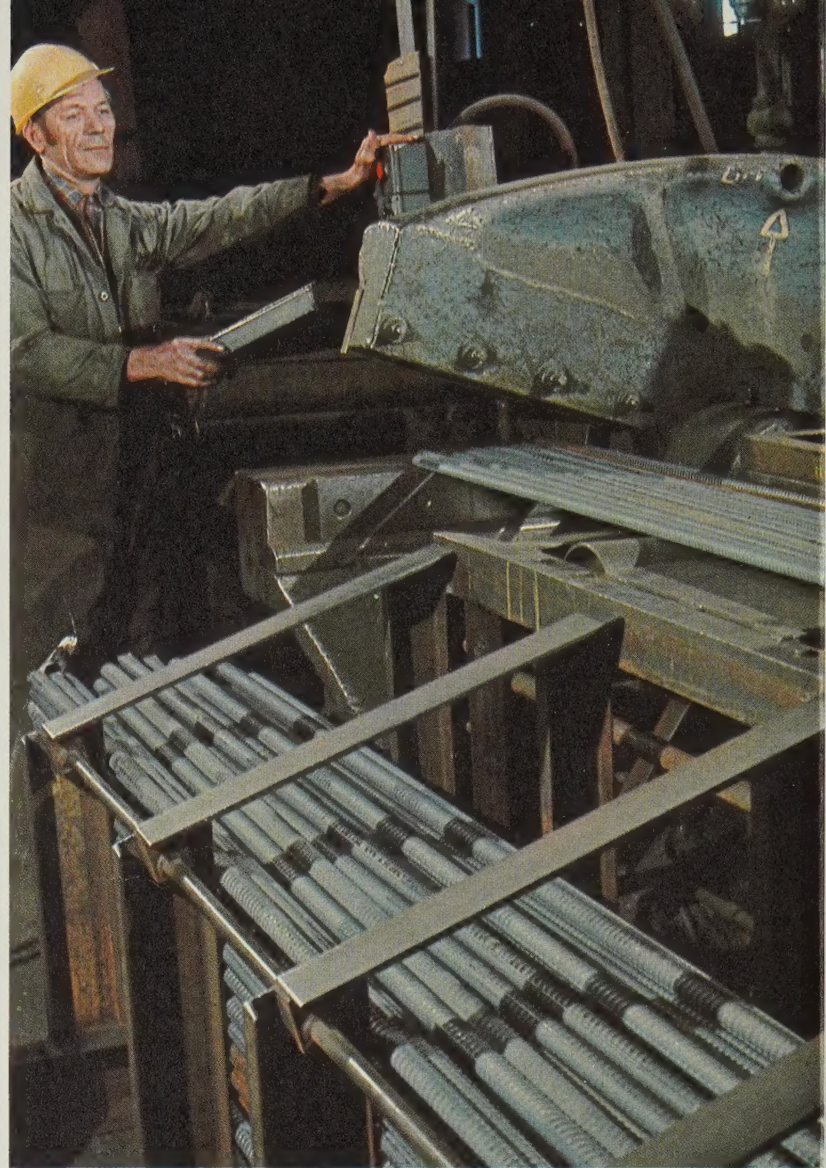
Looking ahead, the first half for any company specializing in the construction area cannot be all that promising due to concentration of activity during the summer months. Therefore, our first half will be no exception. However, we anticipate substantial improvement in the second half which should eventually result in earnings improvements for the 1970 fiscal year over the year just completed.

A handwritten signature in dark ink, appearing to read "M. E. Harris". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

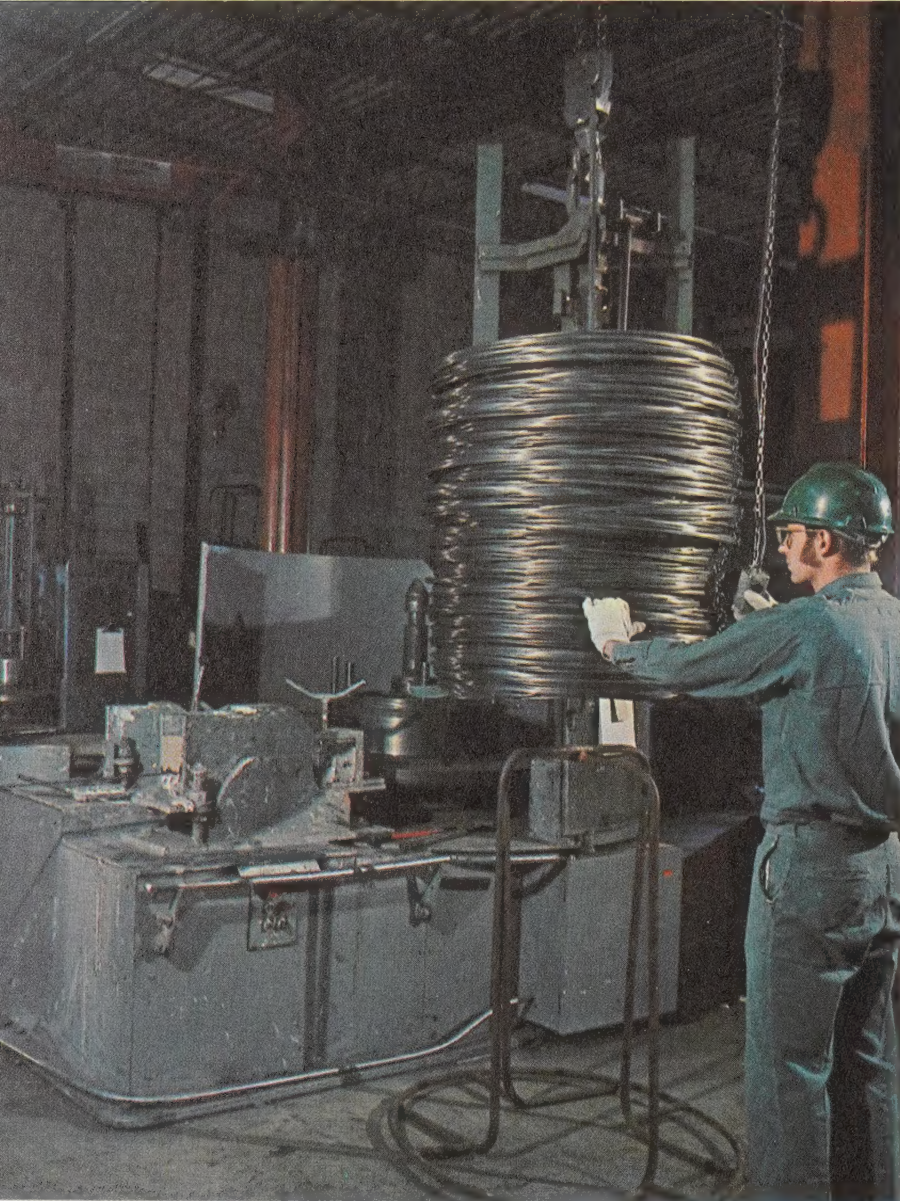
Milton E. Harris
President



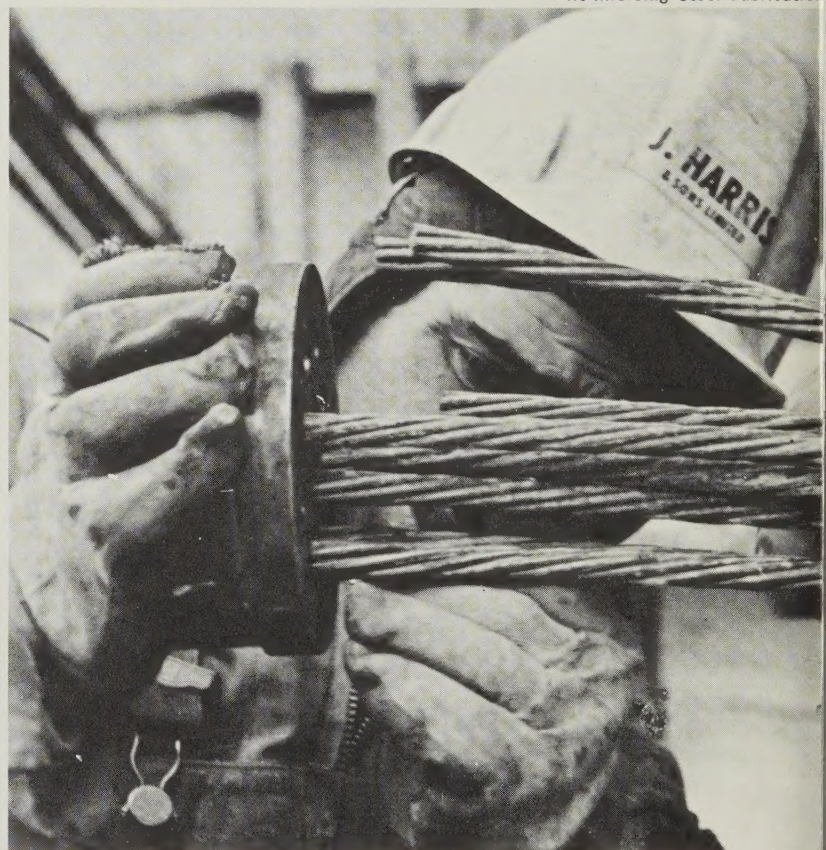
Carleton University Parking Garage — Combination Postension Reinforcing Steel Contract



Re-inforcing Steel Fabrication



Wire Products — Laurel Steel Products Limited



Postension Cables being installed — V.S.L. of Canada Ltd

J. HARRIS AND SONS, LIMITED



Auditors' Report

To the Shareholders of J. Harris & Sons, Limited.

We have examined the consolidated balance sheet of J. Harris & Sons, Limited and its subsidiaries as at December 20, 1969 and the consolidated statements of retained earnings, earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we consider necessary in the circumstances.

In our opinion these consolidated statements present fairly the financial position of the companies as at December 20, 1969 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

PERLMUTTER, ORENSTEIN, GIDDENS, NEWMAN & CO., Chartered Accountants.

London, Ontario, April 15, 1970.

**Consolidated
balance sheet
as at
December 20, 1969
with 1968
comparisons**

ASSETS

CURRENT ASSETS

	1969	1968
Accounts receivable (after allowance for doubtful accounts of \$24,274; 1968 \$64,942)	\$ 2,894,555	\$ 3,197,753
Inventories — at lower of cost or net realizable value (note 2)	1,632,988	909,316
Mortgage advances receivable	319,473	—
Current portion of mortgages and notes receivable	118,400	—
Taxes recoverable	45,515	14,563
Sundry and prepaid expenses	41,847	51,036
Due from shareholder	18,713	13,178
	<u>\$ 5,071,491</u>	<u>\$ 4,185,846</u>

MORTGAGES AND NOTES RECEIVABLE

Less — amount included in current assets

\$ 185,376	
118,400	
<u>\$ 66,976</u>	

INVESTMENT — in private company — at cost

\$ 28,500	\$ 28,500
-----------	-----------

FIXED ASSETS — at cost less accumulated depreciation (note 3)

1,211,726	1,190,438
-----------	-----------

DEFERRED EXPENSES (note 4)

20,328	34,902
--------	--------

GOODWILL — at cost

50,000	50,000
--------	--------

Approved on behalf of the Board:
Director

Director

Total assets	<u>\$ 6,449,021</u>	<u>\$ 5,489,686</u>
--------------	---------------------	---------------------

The accompanying notes to financial statements form an integral part of this balance sheet and should be read in conjunction therewith.

This report has been approved by the Board of Directors.

MILTON E. HARRIS - Director

EDWARD RICHMOND, Q.C. - Director

J. HARRIS AND SONS, LIMITED

LIABILITIES

CURRENT LIABILITIES

	1969	1968
Accounts payable and accrued liabilities	\$ 1,792,128	\$ 1,820,881
Bank indebtedness (note 5)	1,443,455	1,085,055
Mortgages payable	355,700	—
Taxes payable	143,190	336,340
Estimated cost to complete sold property	176,633	—
Loan payable	63,355	84,114
Current portion of long-term debt	52,018	49,637
Due to director	42,998	7,239
Dividend payable	27,306	25,000
	<u>\$ 4,096,783</u>	<u>\$ 3,408,266</u>

LONG-TERM DEBT (note 6)

Mortgage payable	220,328	249,513
Note payable	20,451	40,902
	<u>\$ 240,779</u>	<u>\$ 290,415</u>
Less — amount included in current liabilities	52,018	49,637
	<u>\$ 188,761</u>	<u>\$ 240,778</u>

DEFERRED INCOME TAXES (note 7)	<u>\$ 654,742</u>	<u>\$ 650,344</u>
Total liabilities	<u>\$ 4,940,286</u>	<u>\$ 4,299,388</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 8)	<u>\$ 348,951</u>	<u>\$ 101</u>
RETAINED EARNINGS	1,159,784	1,190,197
	<u>\$ 1,508,735</u>	<u>\$ 1,190,298</u>
	<u>\$ 6,449,021</u>	<u>\$ 5,489,686</u>

**Consolidated
statement of
retained earnings
for the year ended
December 20, 1969**

**with comparisons
for the six months
ended December 14, 1968**

	1969	1968 (6 months)
BALANCE — at beginning of period	\$ 1,190,197	\$ 1,101,744
Add — Net earnings	99,215	136,155
— Excess of book value of subsidiary company over cost of shares		9,548
	<u>\$ 1,289,412</u>	<u>\$ 1,247,447</u>
Less — Dividends declared ..	\$ 107,881	\$ 50,000
— Prior years' tax adjustment	10,567	7,250
— Expenses in connection with the issue of common shares ..	11,180	—
	<u>\$ 129,628</u>	<u>\$ 57,250</u>
BALANCE — at end of period ..	<u><u>\$ 1,159,784</u></u>	<u><u>\$ 1,190,197</u></u>

The accompanying notes to financial statements form an integral part of this statement and should be read in conjunction therewith.

J. HARRIS AND SONS, LIMITED

Consolidated statement of earnings for the year ended December 20, 1969

with comparisons for the six months ended December 14, 1968

	1969	1968 (6 months)
GROSS REVENUE	<u>\$13,669,552</u>	<u>\$ 6,080,032</u>
EXPENSES		
Manufacturing, administrative and selling	\$12,969,553	\$ 5,592,933
Depreciation (note 9)	210,695	90,329
Remuneration to directors and senior employees ..	151,879	66,594
Interest — long-term debt	15,598	10,026
— other	138,112	37,950
	<u>\$13,485,837</u>	<u>\$ 5,797,832</u>
Earnings before taxes on income	\$ 183,715	\$ 282,200
Taxes on income	84,500	146,045
NET EARNINGS	<u>\$ 99,215</u>	<u>\$ 136,155</u>

Consolidated statement of source and application of funds for the year ended December 20, 1969

with comparisons
for the six months
ended December 14, 1968

	1969	1968 (6 months)
SOURCE OF FUNDS		
Operations		
Net earnings for the period	\$ 99,215	\$ 136,155
Add — Charges not requiring an outlay of funds		
Depreciation	\$ 210,695	\$ 90,329
Deferred income taxes	42,100	77,700
Deferred expense amortization	14,574	—
(Profit) Loss on disposal of fixed assets	(2,195)	7,095
	<u>\$ 364,389</u>	<u>\$ 311,279</u>
Issue of common shares	348,850	—
Note payable on subsidiary acquisition	—	40,902
Excess of book value of subsidiary Company over cost of shares	—	9,548
	<u>\$ 713,239</u>	<u>\$ 361,729</u>
APPLICATION OF FUNDS		
Additions to fixed assets (net)	\$ 229,787	\$ 176,990
Dividends declared	107,881	50,000
Mortgages and notes receivable	66,976	—
Provision for payment on long-term debt	52,018	35,331
Adjustment of prior years' taxes payable	48,269	7,250
Expenses in connection with the issue of common shares	11,180	—
Deferred expenses	—	19,456
	<u>\$ 516,111</u>	<u>\$ 289,027</u>
INCREASE IN WORKING CAPITAL	\$ 197,128	\$ 72,702
Working capital at beginning of period	777,580	704,878
Working capital at end of period	<u>\$ 974,708</u>	<u>\$ 777,580</u>

The accompanying notes to financial statements form an integral part of this statement and should be read in conjunction therewith.

J. HARRIS AND SONS, LIMITED

Notes to consolidated Financial statements — December 20, 1969

1. PRINCIPLES OF CONSOLIDATION

The accounts of all the Company's subsidiaries are included in the consolidated financial statements attached.

2. INVENTORIES

Raw materials	\$ 785,582
Construction in progress	497,397
Land and development costs	311,978
Manufacturing in progress	26,136
Finished goods	11,895
	<u>\$ 1,632,988</u>

3. FIXED ASSETS

	Cost	Accumulated Depreciation	Net
Real estate and improvements	\$ 313,629	\$ 88,967	\$ 224,662
Machinery and equipment	1,023,893	453,870	570,023
Forms	483,135	138,722	344,413
Vehicles and cranes	275,248	202,620	72,628
	<u>\$2,095,905</u>	<u>\$ 884,179</u>	<u>\$1,211,726</u>

4. DEFERRED EXPENSES

Consisting of development and establishment costs of manufacturing operations, and are being written off over a three year period.

5. ASSETS PLEDGED

As security for its bank indebtedness the Company has executed a general assignment of book debts and lodged as security the shares held as an investment in a private Company.

6. LONG-TERM DEBT

Mortgage payable — secured on real estate, interest at 8%, due September 1, 1975. The aggregate amount of principal payment required in each of the next five years is as follows:

1970	\$ 31,567
1971	34,143
1972	36,929
1973	39,942
1974	43,201

Note payable — interest at 6%, due August 31, 1970.

7. DEFERRED INCOME TAXES

Represents income taxes on holdbacks included in accounts receivable totalling \$532,409; on excess of capital cost allowance claimed for income tax purposes over depreciation provided in the accounts totalling \$645,108; on the profit portion of amounts receivable in respect of property sold totalling \$74,973.

8. CAPITAL STOCK

Common — Authorized, 2,000,000 shares without par value; issued and outstanding 873,800 shares. By supplementary letters patent dated January 31, 1969 each common share was subdivided into two common shares. 73,800 shares were issued during the year.

9. DEPRECIATION

Depreciation for the year was provided on a straight line basis at the following annual rates applied to cost:

Building and improvements	10%
Machinery and equipment	10%
Forms — Pans	12%
— Steel caps	20%
— Wooden caps and pallets	50%
Mobile vehicles (after providing 20% residual value)	33-1/3%
Cranes	10%

10. STOCK OPTION PLAN

There are 30,000 treasury shares under option to key employees other than the president and chairman of the board:

12,000 @ \$2.37½, expiring in 1972, and
18,000 @ \$3.25, expiring in 1973.

During the 1969 fiscal period 30,800 share options were exercised for \$73,850. As at December 20, 1969 there remained 9,200 shares reserved for further option granting.

11. CONTRACTUAL OBLIGATIONS

(a) Property acquisition

On December 31, 1969 the Company purchased a parcel of land for \$108,750. Mortgage encumbrances on this property total \$93,832 all of which is due in the 1970 fiscal period.

(b) There are various leases with annual rentals totalling approximately \$48,500, the last lease expiring on August 14, 1978.

12. TAX LOSS

As at December 20, 1969 there is an estimated tax loss carry forward of \$106,400 for a subsidiary company.



J. HARRIS AND SONS, LIMITED

CONCRETE REINFORCING STEEL • REAL ESTATE DEVELOPMENT • FORM HARDWARE
POST-TENSIONING • INDUSTRIAL WIRE PRODUCTS